

**PEYTO EXPLORATION & DEVELOPMENT CORP.****RESERVES COMMITTEE****MANDATE AND TERMS OF REFERENCE****I. ROLE AND OBJECTIVE**

The Reserves Committee (the "Committee") is a committee of the board of directors (the "Board") of Peyto Exploration & Development Corp. (the "Corporation"). The purpose of the Committee is to: (a) assist the Board in fulfilling its responsibilities with respect to oversight and due diligence by reviewing, reporting and making recommendations to the Board on the development and implementation of the policies, standards and practices of the Corporation; and (b) assist the Board in satisfying its responsibilities in respect of the Corporation meeting its legal, industry and community obligations pertaining to the assessment and reporting of the Corporation's reserves and related oil and gas information.

**II. MEMBERSHIP OF COMMITTEE**

The Committee shall be comprised of at least three (3) directors of the Corporation, a majority of the members of which:

- (a) are individuals who are not and have not been, during the preceding 12 months:
  - (i) an officer or employee of the Corporation or of an affiliate of the Corporation;
  - (ii) a person who beneficially owns 10% or more of the outstanding voting securities of the Corporation; or
  - (iii) a relative of a person referred to in subparagraphs (i) or (ii), residing in the same home as that person; and
- (b) are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgment.

The Board shall appoint the Committee Chair, who shall be an unrelated director.

**III. MANDATE AND RESPONSIBILITIES OF THE COMMITTEE**

To carry out its responsibilities, the Committee shall be responsible for:

- (a) reviewing the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities including reviewing its procedures for complying with its disclosure requirements and restrictions set forth under applicable securities requirements;
- (b) reviewing the Corporation's procedures for providing information to the independent evaluator;

- (c) meeting, as considered necessary, with management and the independent evaluator, to determine whether any restrictions placed by management affect within the ability of the evaluator to report without reservation on the Reserves Data (as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*) (the "Reserves Data") and to review the Reserves Data and the report thereon of the independent evaluator (if such report is provided);
- (d) reviewing the appointment of the independent evaluator and, in the case of any proposed change to change the independent evaluator, determine the reason therefor and whether there have been any disputes with management;
- (e) reviewing qualifications and independence of the independent evaluator to ensure the independent evaluator being considered for appointment or re-appointment is technically qualified and competent, independent of management, that there are no restrictions affecting the ability of the independent evaluator to report on the Corporation's oil and natural gas reserves without reservations and to establish the terms of their engagement;
- (f) reviewing any matters relating to the preparation, assumptions, evaluation processes and resulting outcomes for any report on the Corporation's reserves (including reserves to be acquired) for material acquisitions or which may form the basis of any public disclosure by the Corporation;
- (g) providing a recommendation to the Board as to whether to approve the content and/or filing of the statement of the Reserves Data and other information that may be prescribed by applicable securities requirements including any reports of the independent engineer and of management in connection therewith;
- (h) reviewing the Corporation's procedures for reporting other information associated with oil and gas producing activities;
- (i) regularly assessing whether management has in place appropriate policies and processes to prevent and detect inaccuracies in estimating reserves and disclosing reserves and related oil and gas information in compliance with regulatory requirements;
- (j) generally, reviewing all matters relating to the preparation and public disclosure of estimates of the Corporation's reserves;

**General**

- (k) annually reviewing the Committee's mandate and work plan and provide the work plan and any recommended changes to the mandate to the Chair of the Board; and
- (l) performing any other activities consistent with the Committee's mandate as the Committee or the Board deems necessary or appropriate; and
- (m) having the authority to investigate any activity of the Corporation that has an impact on or relating to the Committee's mandate and responsibilities. All employees are to cooperate as requested by the Committee.

**IV MEETINGS AND ADMINISTRATIVE MATTERS**

- (a) At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
- (b) The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
- (c) A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
- (d) Meetings of the Committee should be scheduled to take place at least twice each year and at such other times as the Chair of the Committee may determine.
- (e) Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
- (f) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
- (g) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
- (h) If determined appropriate, following meetings of the Committee, a list of tasks or matters to be followed up upon shall be prepared including the timetable for completion thereof and the responsibility for completion, the status of which matter shall be reviewed at the next meeting of the Committee or as otherwise determined by the Committee.
- (i) Supporting schedules and information reviewed by the Committee shall be available for examination by any director.
- (j) The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at such compensation as established by the Committee and at the expense of the Corporation without any further approval of the Board.
- (k) Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director of the Corporation. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as two members remain on the Committee. Subject to the foregoing,

following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.

- (l) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.